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A STATEMENT

BY

The Superintendent of Insurance

(WM. FITZGERALD, M.A.)

OF

Reasons Why

THE INDEPENDENT ORDER OF FORESTERS

Should not
have the powers granted them
by Parliament.

TORONTO:
MONETARY TIMES PRINTING COMPANY, LTD.
1895.

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BILL No. 84, 1895.

MEMO *re* Bill No. 84, to amend the Act incorporating the Supreme Court of the Independent Order of Foresters.

When this Order was applying for incorporation in 1889, the undersigned had the honor to submit for the consideration of the Standing Committee on Banking and Commerce a memorandum containing his views regarding the Bill then before Parliament, and which resulted in the existing Act incorporating the Order which the present Bill is intended to amend. The views then expressed (except as to the items of expense) remain unchanged.

I then stated (paragraph 5) that the Society was practically carrying on the business of life insurance on the level premium plan and at insufficient rates. An alteration has been made in the by-law relative to special assessments as it then existed. The by-law is now numbered 255 and reads as follows :—

"Whenever there are no available funds to pay the endowments or "other benefits of the Order, the Executive Council shall order a special "assessment which shall be paid by each member into his own subordinate "court within thirty days from the date of the call, and the subordinate court "shall forthwith transmit the same to the Supreme Secretary."

As I understand this by-law, until the whole of the reserve fund is exhausted, a special assessment cannot be made, and until then only the rates fixed by the by-laws can be demanded from the members.

In confirmation of the statement that the Order is transacting the business of insurance practically on the level premium plan, notwithstanding the provisions of such by-law, I refer to a small pamphlet issued by the Order, dated 1st of October, 1894, in which are given the following reasons why you should join the I. O. F. :—

"1. Because it has already over a million dollars of surplus to back "up its promises.

"2. Because there are no assessments on death ; every Forester "knows exactly how much he has to pay each month.

"3. Because a membership in the I. O. F. will secure from $250 to "$1,500 on total and permanent disability from disease or accident without "any additional cost.

"4. Because you are not worried as to the number of assessments you "are to make from month to month. Members pay each month a stipulated

"rate according to age at initiation. These payments may be made monthly, "quarterly, semi-annually or annually in advance, at the convenience of the "member himself."

The foregoing will probably be deemed sufficient to illustrate the Order's method of doing business and to establish the fact that members, and intending members, are being assured in the most explicit terms that the business is being done on the level *premium plan*.

Now as to the sufficiency of the rates. I quote first from an article in the *Economist*, London, England, of the 23rd Dec., 1893, under the heading, "Where not to Insure."

The well known standing and reputation of the *Economist* are such as to entitle its views to very great respect.

The article is as follows :—

"We have recently taken exception to the course taken by an American "insurance company in publishing misleading estimates of the benefits "likely to accrue from policies effected with them, in face of the fact that "such estimates have proved erroneous, and we have now to draw attention "to another company which lays itself open in a very much more flagrant "manner to a charge of inducing business under misrepresentation. This "company is the 'Independent Order of Foresters,' which has for some "years existed in Canada as a friendly society. It was also sought to "register the company in the United Kingdom as a friendly society in "the course of 1892, but their method of conducting business was such "that in January, 1893, official intimation was given through the *Times* "by the Registrar of Friendly Societies that the prospectus as then issued "appeared to be 'essentially misleading,' and that caution should be "observed by any persons having dealings with the Society. Subsequent "to, if not in consequence of, this intimation, the Friendly Society business "appears to have been dropped, but at a later date the necessary deposit "of £20,000 was duly made, and the 'Order' became entitled to trade as "a life insurance company.

"The system of the 'Order' was explained in an address delivered in "London during May last by its chief officer, who goes by the designation "of the Supreme Chief Ranger, and who stated that the rates charged "were calculated by a rough and ready addition of 'about 50 per cent.' to "the actual cost of assurance, as shown by a table based on the experience "of 17 British offices, and published in 1843. By what process the "'actual cost' table has been made up we are unable to discover, but when "compared with the tables published by the 'Institute of Actuaries' the "figures appear to be extraordinarily low. This is, however, of small "importance, since it is frankly admitted that actuarial science has been set "at defiance, and the 'Order' taken as a law unto itself. Attention is "now being attracted by extensive advertisement, and a prospectus has "been issued in which it is stated that the 'Order' is prepared to issue "policies up to £1,000, insuring unusually varied and liberal benefits at a "cost considerably less than one-half of what is charged by British com-

"panies. To take a specific instance: For an annual premium of £1 "the 'Order of Foresters' will grant a policy insuring the following "benefits: (1) Payment of £100 at death, or (2) in the event of total "permanent disablement, and (3) all premium paying to cease at age 70, "whilst for an ordinary insurance for £100, payable at death, the average "rate charged by British offices is given as £2 10s. 1d.

"It will, however, be found that for several reasons the comparison thus "made is neither fair nor true. In the first place, it is evident that the "rate quoted as that of British offices is a 'with profit' one, entitling the "holder to participate in profits earned, whereas in no case can the policy-"holders of the 'Foresters' derive an advantage of the kind. Secondly: "No surrender values are allowed by the 'Order of Foresters' such as "would be given by any British office. Thirdly: It is found that at the "time of entry, in addition to the tabular premium, charges are made of 5s. "for a certificate of membership, of not less than 2s. for registration, of 5s. "or more for initiation, and of 5s. or more for medical examination, whilst "an annual fee of 10s. or 12s. is payable for Court expenses, although it is "difficult to understand in what way such expenses are incurred, since the "Order has no practical existence as a Friendly Society. No such charges "are of course made by any British office. Fourthly: There is a provision "(although no mention of this can be found in either prospectus or adver-"tisement) to the effect that should at any time the premiums received "prove insufficient to meet the demands made, the 'Order' may call for "extra premiums whenever required.

"Such a provision is utterly unknown among British offices, and is "especially ominous in face of the fact that although we are unable to dis-"cover definitely in what way the table of premiums has been obtained, "the rates charged are indubitably less than the bare cost of the whole life "assurance as shown in the tables of the Institute of Actuaries, being, in "fact, approximately the cost of a temporary assurance effected for one year "only, and then lapsing without the option of continuation. It is therefore "plain that unless the experience of the 'Foresters' proves in the future "more favorable than that of other companies, the premiums will have to "be increased, unless an unusual profit is made in other directions. In the "opinion of the Supreme Chief Ranger, such profits may reasonably be "expected to accrue from the lapsing of a large proportion of the policies. "He stated in his address that in the year 1892 lapses occurred to the "number of 5,189 out of an average membership of 37,114, and on this "basis estimates that in the course of seven or eight years the whole of the "membership would be practically renewed. Apart from the fact that such "reasoning has again and again been proved by experience to be fallacious, "it may be doubted whether the confession, coupled with the fact that no "surrender values are allowed, is likely to attract many proposals, since, "should the assured at any time, for any reason, be compelled to resign his "policy, he loses what money he may have paid as premium, whilst should "he, to avoid such loss, maintain his policy in force, there is always an un-

"pleasant possibility of his being called upon to pay an increased premium, "in consequence of others as tenacious as himself having declined to con- "form to the expectations of the 'Order,' and allowed their policies to "lapse.

"The comparison of rates is not, however, the only one contained in the "prospectus which is manifestly unfair, and therefore misleading. It is "claimed that the ratio of the expenses to premiums received is very con- "siderably smaller than that of British offices, and some examples are given. "And as regards this it need simply be said that no account is taken of the "so-called 'Court' fees or the preliminary charges made by the 'Order,' "whilst on the other hand, two of the British offices cited are notorious for "extravagance of expenditure, and cannot be taken as a fair criterion for "offices in general.

"We are always ready and willing to welcome fair and honest compe- "tition, but in the present case no such welcome can be accorded, since it "is evident that the scheme of the 'Order' is not only essentially unsound "in theory, but that in the prospectus the exposition of this theory is entirely "misleading, owing to the suppression and distortion of material facts. The "company offers, as we have said, to issue policies up to £1,000; but it is, "of course, more especially to the class of the laborer and the artisan, "whose resources have already been heavily drained by the failure of the "Liberator and other kindred societies, that such organizations appeal. It "will, however, be a great misfortune if the members of this class are "beguiled into intrusting their hard-won savings to such a concern, and it "is sincerely to be hoped that the Board of Trade will look very closely "into its accounts when they are deposited. As yet, so far as we can ascer- "tain, no statement of accounts has been issued by it here."

I refer also to a paper prepared by Mr. A. K. Blackadar, F.I.A., of Great Britain, Actuary of the Department, entitled "The Endowment Benefits of the Independent Order of Foresters," from which I purpose to read a few extracts and deduce a few results and conclusions bearing upon the question under consideration.

Read extracts.

It will be observed that Mr. Blackadar not only shows the inadequacy of the premiums as compared with the benefits promised, but also accounts for the increase up to the present of the surplus of the funds of the Order, and shows the reasonable certainty of its reaching its maximum at no distant date, its gradual reduction and ultimate extinction.

It should be stated in this connection that Mr. Blackadar's computation is based upon the assumption that the whole of the interest earned by the Order, *i.e.*, up to 4½ per cent., compounded annually, is added to the fund from year to year. This, however, I find has not hitherto been done. For example, in the report made by the Order to the Board of Trade in England for the year 1893, we find that while the total interest earnings for that year appear to be £7,519 6s. 5d., only the sum of £2,610 3s. 2d. was added to the Mortuary Fund, which would appear to be somewhat less than 2 per

cent. upon the existing fund. The balance of the interest, according to said report, was applied as follows :—

Sick and Funeral Benefit Department.....	£ 32	14s.	8d.
Extension of the Order and Supplies Department...	2,926	18	4
Profit and Loss Account.....	1,950	0	3
Making together.....	£4,909	13s.	3d.

This goes to show that a very considerable portion of the interest earned is being applied towards the payment of the expenses of the Order, and that the 5 per cent. deducted from the premiums is far from being sufficient to pay the necessary working expenses of the Order.

In view of the foregoing it appears to be established that the Order, as at present constituted, cannot make good its contracts and representations, and that failure in the no distant future must result, unless a readjustment of premiums and benefits be made.

The Order has under its present charter power to issue policies up to $3,000, and by the first section of the Bill an increase up to $5,000 is asked; this appears to be the most important change sought by the Bill. Such an increase, if granted, will be regarded by the public as practically an endorsement of the Order as it stands, and of its methods, and will be looked upon as a fresh certificate of confidence in the Order on the part of Parliament. It will be, in a sense, a re-affixing of the Government stamp, and as the Order which received incorporation as a friendly society pure and simple, and not as a level premium insurance company, does not come up to the standard fixed for level premium companies, it is most respectfully submitted that Parliament should not grant the seal of approval which the Bill asks.

For these reasons, the undersigned is of the opinion that the first section of the Bill should not be adopted.

Section No. 2 of the Bill :—

The amendment proposed by this section, if adopted, will enable the High Courts, Subordinate Courts and Encampments of Foresters to establish funds for the relief of sick and distressed members, a power which they do not now possess. In other words, each such High Court, Subordinate Court or Encampment will become an independent society for the purpose of transacting the business of sickness insurance. This power appears to be in addition to the power possessed by the Supreme Court of the Order. It will thus be seen that this amendment will constitute a very extensive addition to the already too extensive powers of the Order, and it is a subject which deserves very careful consideration, whether any such additional powers should be granted.

Section No. 3 of the Bill :—

This section is intended to amend section 6 of the Act of Incorporation, which provides that :

"The surplus funds of the Society shall be invested in mortgages "which are a first charge on lands held in fee simple in Canada, or in

"deposits with, or in registered debentures of loan companies incorporated "in Canada, or in debentures of municipal or in school corporations in "Canada, or in securities of the Dominion of Canada, or any of the pro- "vinces thereof, or shall be deposited in a chartered bank in Canada."

This section as it now reads provides for the investment of its funds in Canadian securities, or for their deposit in Canadian chartered banks, and it is worthy of observation that the Society has nevertheless deposited with the British Government, under the provisions of the English Life Insurance Companies Act of 1870, the sum of £20,000 sterling to enable the Order to carry on business as a life insurance company in Great Britain.

If the amendment proposed be adopted the Order will be enabled to invest in United States or British Government securities.

The undersigned is of the opinion that the securities in which the Order proposes to invest are free from objection, if the Order is to continue to do business outside of Canada. It will be noticed that under the proposed amendment one half of the whole surplus funds of the Society may be invested in securities other than Canadian.

It is submitted that in no case should the amount invested in foreign securities be greater in proportion to the foreign membership than that invested in Canadian securities in proportion to the membership in Canada. The odds it is believed should be largely in favor of investments in Canada.

The usual clause in a Bill for the incorporation of a life company limits the amount which may be invested in foreign securities to the "sum necessary to the maintenance of any foreign branch"; some similar limitation should be made in the case of the Order, if an amendment is concurred in.

Section 4 of the Bill:—

Section 8 of the Act of Incorporation of the Order, as it now stands, requires that there shall be printed in legible type and in red ink upon every policy, upon every application and upon every receipt given for payment in connection therewith, the words "The insurance undertaken by this Society "comes under the exception contained in Section 43 of the Insurance Act "applicable to fraternal and benevolent societies, and is not subject to "Government inspection."

If the amendment asked be granted, these words would be limited to Canadian policies, applications, &c., and would not be endorsed upon policies, applications or receipts outside of Canada.

If they are necessary or desirable in Canada, they are equally necessary outside of Canada. The application to have them omitted, it is believed, can have arisen only from a desire on the part of the Order to appear what it is not, perhaps to appear as an insurance company pure and simple, as it is now doing in England, or else to appear as a society subject to Government inspection, which it is not. To grant the amendment asked would give unscrupulous representatives of the Order greater facilities to mislead the public, by concealing the actual facts as to the Order's true position.

The undersigned submits that the amendment asked by this section should not be allowed. Respectfully submitted,

WM. FITZGERALD,

Ottawa, 26th June, 1895. *Superintendent of Insurance.*

COPY OF REPORT MADE WHEN ORDER WAS SEEKING INCORPORATION.

Copy.

INSURANCE BRANCH.

Ottawa, March 16th, 1889.

R. N. HALL, ESQ., M.P.,

Chairman Banking and Commerce Committee :

DEAR SIR,—

Re Act to incorporate the Supreme Court of the Independent Order of Foresters.

Since the Bill to incorporate the above mentioned Society was introduced, I have given much careful consideration to the questions which arise thereunder, and in dealing with the matter in Committee it seems to me that the following considerations should not be lost sight of :—

1. The Society is undoubtedly an insurance company, and while it is possible that it may come within the letter of the provisions contained in section 43 of the Insurance Act, it seems to be almost certain that it does not come within the spirit or intention thereof.

As I take it, that section was intended to apply only to a Society where insurance was only an incident and not the main object of the Society, and it was probably never intended to extend to insurance except insurance in the nature of sick or funeral benefits, or some such limited object.

2. The Insurance Act has certain provisions relating to two classes of life insurance companies, viz., to companies which are called assessment companies, and companies other than assessment companies, and as to the latter a certain standard has been adopted, the requirements of which will be seen by referring to sub-section 1 of section 10 and sub-section 10 of section 25 of the Act.

3. The Government being now asked to incorporate this Society, is asked to recognize it as an insurance company which is worthy of the confidence of the people, and may be trusted and dealt with as such. I am not, I think, wrong in stating that this is the avowed object of the Society in seeking incorporation, but whether the avowed object or not, if incorporation simply be granted without any restriction or qualification, its effect will be a virtual endorsement by the Government of the Society as it exists.

4. It seems to be unquestionable that any Society which goes to the public, bearing the Government stamp, should come up to the Government standard.

5. It is admitted that this Society takes from each of its members or policyholders a certain fixed monthly premium, called an assessment, which remains the same throughout life. There are no assessments upon the death of a member, but there is a provision contained in section 198 of the constitution that provides that "Whenever, by reason of an excessive mor-"tality, there are no available funds to meet promptly the endowment "claims, etc., etc., etc., the Executive Council shall order a special assess-"ment, etc., etc., etc.," but it is contended that there will never be a necessity for a special assessment, and that the premiums or assessments now taken are ample to provide for all endowments or death losses as they arise. The meaning of the words, "an excessive mortality," in the clause just quoted, is not quite clear. It is, it seems to me, doubtful whether under this clause the Society could legally levy a special assessment without first showing that the mortality was in excess of the mortality which forms the basis of the standard English or American mortality tables. The Society in the past has, both from its form of contract and its manner of collecting premiums, being doing business upon what is known as the level premium plan, and the provision quoted relating to the right to levy special assessments does not, in my judgment, alter the case. If recognized by Government, therefore, it would follow that the Society should fulfil the conditions required of companies doing a level premium business according to the standard before referred to.

The rates of the Society are acknowledged to be very much less than the rates required by the Government standard, due allowance being made for the expense element, which is certainly in the Foresters reduced to a minimum.

It is asserted by the Chief Ranger that the rates are founded upon certain mortality tables, but the persons who formed the tables for the Society appear to have fallen into the error of supposing that a premium which was intended to carry a risk for one year was sufficient to carry it throughout life. It is also asserted that a large revenue is derived from lapses, sufficient to compensate for the deficiency in the rates. If this be the case, then the funds so derived in the past must be in the treasury, and the Society need not hesitate to have their liabilities under their policies or endowment certificates submitted to a valuation. It is, however, reasonably clear that it is only among the younger lives that there are many lapses, and I am convinced that the revenue derived from this source is much less than is supposed by the officers of the Society, and am also quite satisfied that the Society does not possess the revenue which the Government requires of companies doing the class of business which this Society has been transacting, that is, the level premium business.

The Society is now, I understand, asking for incorporation simply, and does not desire, or rather wishes to avoid inspection and compliance with the provisions of the Insurance Act. A fair view of the matter seems to be, that if the Society comes up to the Government requirements, it should come under the Insurance Act, and if it does not, it should not seek Government recognition by incorporation or otherwise.

The Society also claims that it is doing business under conditions much the same as the Provincial Provident Institution, which is registered under the Insurance Act, and that this Society should be permitted to do business as an assessment society. As to this, it is worthy of note that the Provincial Provident Institution has always done an assessment business, while the Foresters have done a level premium business, the latter requiring, while the former does not, from the very nature of its contract, require a reserve.

In all registered assessment companies doing business in Canada, the following clause is contained in the Contract, viz. :

"And the said company agrees to pay..... dollars out of "the death fund of the company and out of any monies realized from "assessments to be made for that purpose, and the said company agrees "forthwith, and from time to time, to make assessments to an amount "adequate with its other available funds to pay all obligations created "under this certificate or policy, without deduction or abatement," and there are printed upon the contracts the words "Assessment System." "This "association is not required by law to maintain the revenue which is required "of ordinary life assurance companies."

If the Society was now asking for permission to do business for the first time, there would not be any unsurmountable obstacle to prevent registering it and permitting it to do business on the assessment system (some modifications in its constitution and by-laws would be needed), but the thirteen thousand contracts made on a different basis prevent this unless it is established that the Society is now in a sound and satisfactory condition, regard being had to the nature of the business and the form of the contract which it has already made with its existing members, and to their rights under existing contracts.

6. No company organized for the purpose of insurance since my connection with the Department, and indeed I believe for several years previous, has been granted incorporation except upon the condition of its complying with the existing law in relation to insurance.

7. There seems no sufficient reason, so far as I am able to judge, why an exception should be made in the case of the Foresters. The principle which the Committee gave effect to in refusing the application of the London Mutual Fire Insurance Company, viz., that the principle of the Bill would contravene the existing insurance law, seems to me to be equally applicable in the present case.

8. For the reasons briefly indicated above (which have been all more or less fully discussed in the various interviews which have taken place), I feel it to be my duty to state that I am of the opinion that incorporation simply, without any restriction or limitation, should not be granted to the Society. According to my view, the interest of the public and the interest of the present members of the Order of Foresters will be best served by making compliance with the Insurance Act a condition of granting incorporation. If that view of the matter be taken by the Committee, I would

suggest that clause 9 of the Bill, as reprinted, should be changed so as to read as follows :

"This Act and the Society hereby incorporated, and the exercise of the "powers hereby conferred, shall be subject to provisions of the Insurance "Act, notwithstanding Section 43 of the said Act, which is hereby declared "not to be applicable to this Society."

In the event of the Committee being of the opinion that the Society should not be compelled to comply with the provisions of the Insurance Act, then I beg respectfully to submit that some other condition equally effective should be imposed as a condition of incorporation.

I have, etc., etc.,

W. FITZGERALD,
Supt. of Insurance.

EXTRACTS, RESULTS, CONCLUSIONS, &c.

Taken from paper referred to on page 7 of memo.

THE ENDOWMENT BENEFITS OF THE INDEPENDENT ORDER OF FORESTERS.

The beneficiary members of this Order are divided into three classes :

(1) Ordinary Class.
(2) Hazardous Class.
(3) Extra Hazardous Class.

The Ordinary Class contains the great bulk of the membership. The benefits in this class are $500, $1,000, $2,000 and $3,000, payable at death. At the age of 70, members are freed from any further payments of dues, assessments, &c., and from that time they will begin to receive an annuity of one-tenth of the amount of the insurance payable each year from age 70 to 79 inclusive, and should death occur before the member reaches age 79, any balance of the insurance is then paid.

When any member becomes permanently disabled from disease or accident, he is entitled to one-half the amount of the insurance, and he is at the same time relieved from all further payments. The remaining half of the insurance is payable at death.

There are what is called "Expectation of Life Benefits." The member, by the payment of two additional monthly assessments each year, is entitled to receive the whole amount of the insurance upon his attaining the Expectation of Life, which is at the ages 63 to 73, according to the age at initiation.

The benefits are paid for by monthly assessments, and five per cent. is deducted from each assessment and is placed into the Expense or General Fund of the Order.

The following table gives the monthly assessment for each $1,000 of insurance, and also the total net yearly premium after the five per cent. has been deducted for expenses :

ASSESSMENT RATES—I. O. F: ORDINARY CLASS, $1,000.

Age.	Monthly Assessment.	Net Yearly Payments.	Age.	Monthly Assessment.	Net Yearly Payments.
18	$0.60	$6.84	35	$0.78	$ 8.89
19	.61	6.95	36	.80	9.12
20	.62	7.07	37	.82	9.35
21	.63	7.18	38	.84	9.58
22	.64	7.30	39	.86	9.80
23	.65	7.41	40	.88	10.03
24	.66	7.52	41	.90	10.26
25	.67	7.64	42	.92	10.49
26	.68	7.75	43	.95	10.83
27	.69	7.87	44	.98	11.17
28	.70	7.98	45	1.02	11.63
29	.71	8.09	46	1.07	12.20
30	.72	8.21	47	1.14	13.00
31	.73	8.32	48	1.22	13.91
32	.74	8.44	49	1.35	15.39
33	.75	8.55	50	2.50	28.50
34	.76	8.66	51	2.60	29.64
			52	2.70	30.78
			53	2.85	32.49
			54	3.00	34.20

As the Order, in its advertising literature, claims that its schedule of rates between ages 18 and 49 is based upon the Combined Experience (17 Offices) Table, it may be well to compare the rates charged by the I. O. F. with the annual net premium for the same benefits (excluding the total and permanent disability benefits) based upon (1) the 17 Offices Table, 4 per cent. interest, (2) the Institute of Actuaries' Hm. Table, 4½ per cent. interest, and (3) the Canada Life Experience, 4 per cent. interest.

I. O. F. BENEFITS—NET PREMIUMS.

Age.	I. O. F. net Annual Premium.	17 Offices 4% Net Premium.	H.M. 4½% Net Premium.	Canada Life Experience 4% Net Premium.
20	$ 7 07	$13 65	$12 29	$10 91
25	7 64	15 68	14 30	12 80
30	8 21	18 34	17 01	15 29
35	8 89	21 86	20 52	18 65
40	10 03	26 69	25 23	23 26
45	11 63	33 67	32 01	29 80
49	15 39	41 59	39 63	37 26

It may be asked by some how is it possible for a society collecting a rate of premium so far below that required by standard tables of mortality, to accumulate a large reserve fund and to show an apparent prosperity for a number of years. Is it not possible that this prosperity will continue, and that the society will be able to meet its obligations for all time to come?

The following investigation illustrates the progress of a hypothetical society which charges the same rate of premium and guarantees the same benefits as the I. O. F. It will be found that a reserve fund may be accumulated, which will increase for a number of years until it reaches a maximum, and then it will decrease and in a few more years finally disappear, notwithstanding the fact that the membership is continually and rapidly increasing.

Mr. Blackadar gives in detail his calculations. They are based upon the mortality experience of the Institute of Actuaries, with this modification: The death rate for the first year is assumed to be only 40 per cent. of the expected, and in this it follows pretty closely the rate experienced by the I. O. F. during the first year of assurance. In the second year the rate assumed is 50 per cent. of the expected; third year, 60 per cent.; fourth year, 70 per cent.; fifth year, 80 per cent.; sixth year, 90 per cent., and in the seventh and subsequent years the actual death rate is supposed to follow the expected.

The following results are brought out in the calculations:

1st. That the premium charged by the I. O. F. is sufficient only to carry the risk as a temporary assurance, ceasing when the age 52 or 55 at the most is reached; and that it is quite insufficient to provide for the old age benefits promised.

2nd. If the old age benefits are paid (that is, death claims, endowments and annuities paid to members who are over 55 years of age), the Order may be able to accumulate a reserve fund for a number of years when the age of the membership is still young, but the time will arrive sooner or later when the fund will cease growing, and a rapid decrease will take place.

The following figures show the progress of a hypothetical society in which a uniformly increasing new business is assumed and whose growth follows very closely the progress of the I. O. F., from the year 1880 up to the present time. There is also shown the membership and funds of the I. O. F. from the year 1881 to 1895, as far as they are obtainable from the published reports of the Order.

These calculations were made early in the year 1893, nearly two years and a half ago, and it was then shown that the Society (according to the assumption made) would have on the 1st July, 1895, about $94,557,000 of insurance in force, and a reserve fund of $1,271,483. How closely these calculations agree with the actual facts will be seen from the last published reports of the Order, which show a membership on 1st April, of 75,121, representing over $90,000,000 of insurance, and a reserve fund on the 1st

May, of $1,227,735.26, and which, on the 1st July, should reach very nearly the figures as calculated nearly two and a half years ago.

	Hypothetical Society.			I. O. F.		
Date.	Amt. in force.	Funds.	Rate per $1000.	Membership.	Funds.	Rate per $1000 in force.
30th June						
1881	$ 475,000	$ 1,439	$ 3 03	396	$	$....
1882	1,056,000	5,613	5 31	880	1,145	1 08
1883	1,984,000	13,680	6 90	1,737	7,583	3 62
1884	2,826,000	25,335	8 98	2,360	19,815	6 96
1885	3,609,000	39,943	11 07	3,046	28,037	7 63
1886	5,177,000	59,053	11 41	4,628	44,221	7 92
1887	7,841,000	87,324	11 14	6,921	71,381	8 54
1888	11,881,000	128,801	10 84	9,858	96,105	8 08
1889	16,617,000	186,379	11 22	14,286	160,111	9 29
1890	24,551,000	269,028	10 96	20,459	204,815	8 29
1891	34,887,000	386,823	11 09	28,894	337,719	9 68
1892	46,272,000	542,900	11 73	38,560	468,083	9 98
1893	61,017,000	745,418	12 21	50,849	710,503	11 58
1894	76,855,000	988,285	12 86	62,738	946,440	12 50
1895	94,557,000	1,271,483	13 45			
1896	114,899,000	1,591,017	13 85			
1897	136,665,000	1,943,823	14 22			
1898	161,341,000	2,318,753	14 37			
1899	186,843,000	2,709,723	14 50			
1900	214,203,000	3,111,117	14 52			
1901	243,374,000	3,505,659	14 40			
1902	274,823,000	3,885,106	14 14			
1903	308,020,000	4,233,202	13 74			
1904	342,435,000	4,531,166	13 23			
1905	378,532,000	4,761,331	12 58			
1906	416,294,010	4,899,186	11 77			
1907	455,623,750	4,918,346	10 80			
1908	496,541,990	4,789,602	9 67			
1909	538,992,010	4,482,812	8 32			
1910	582,932,060	3,965,759	6 80			
1911	628,312,520	3,191,143	5 08			
1912	675,083,560	2,110 543	3 13			
1913	723,191,170	766,430	1 06			
1914	772,587,000	—1,191,530	..			

An examination of this summary will show that, in hypothetical society, the membership is rapidly increasing throughout, the funds increase until the year 1907, and then decrease rapidly until the year 1914, when they disappear. The rate of funds per $1,000 of insurance in force also increases until the year 1900, when a maximum rate of $14.52 is reached.

If, after the year 1894, we suppose the increase of membership to remain about stationary by the admission of an equal number of new insurers each year, the annual admissions being the same as we have

assumed in the preceding investigation for the year 1893-4, viz., $17,700,000, the following will be the state of the membership and funds after 1894 :—

Date.	Amount in force.	Funds.	Rate per $1000 in force.
30th June.			
1894	$ 76,855,000	$ 988,285	$12 86
1895	92,756,500	1,266,029	13 65
1896	108,480,800	1,561,627	14 40
1897	124,032,500	1,859,162	14 99
1898	139,416,400	2,144,130	15 38
1899	154,570,300	2,403,139	15 55
1900	169,547,800	2,623,837	15 48
1901	184,322,700	2,794,970	15 16
1902	198,888,500	2,905,364	14 61
1903	213,236,900	2,942,887	13 80
1904	227,360,900	2,893,975	12 73
1905	241,251,900	2,744,757	11 38
1906	254,921,300	2,475,713	9 71
1907	268,300,100	2,069,325	7 71
1908	281,438,700	1,505,166	5 35
1909	294,307,300	764,026	2 60
1910	306,894,700	—173,507	—0 57

Here the funds reach a maximum in 1903 and finally disappear in 1910, about four years earlier than in the case where the new membership rapidly increases.

A third case was tested, that in which the new membership rapidly decreases. Here the funds reach a maximum in 1900 and disappear in 1907.

Hence when the rate of assessment levied is inadequate to provide for the full benefits promised, the "infusion of new blood" is able to prolong the existence of a society but a few years.

If we make full allowance for the benefit of lapses combined with a light rate of mortality, the net premium at age 30 for the benefit under consideration is $13.48, and at age 40 the premium is $20.25, in each case payable in advance at the beginning of each year. This is probably a lower premium than can safely be charged for the benefit. If any lower rate is collected, disaster must eventually follow. These premiums were calculated by the Canada Life Select Table with lapses, interest at 4 per cent.

The net annual premiums of the I. O. F. at ages thirty and forty, are $8.21 and $10.03 respectively, payable monthly throughout the year, and they are considerably less than the minimum safe rates indicated above.

The Senate does not Authorize Foresters to Issue Policies for $5.000.

Ottawa, July 20th, 1895.

The Independent Foresters' Bill to authorize the issue of Policies for $5,000 was before the Senate Committee on Banking and Commerce, and failed to pass. Thus ends, for the present, the attempt made by Supreme Chief Oronhyatekha to obtain enlarged powers at Ottawa.